

NZBC Urban Corporation, Inc.
Bossier City, Louisiana

Financial Statements
As of and for the Year Ended December 31, 2012

NZBC Urban Corporation, Inc.
Bossier City, Louisiana

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COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

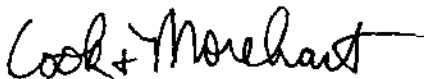
To the Board of Directors
NZBC Urban Corporation, Inc.
Bossier City, Louisiana

We have reviewed the accompanying statement of financial position of NZBC Urban Corporation, Inc. (a nonprofit organization) as of December 31, 2012 and the related statement of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Cook & Morehart
Certified Public Accountants
August 14, 2013

NZBC Urban Corporation, Inc.
 Bossier City, Louisiana
 Statement of Financial Position
 December 31, 2012

Assets

Current assets:

Cash	\$ 6,397
Grants receivable (note 3)	19,474
Other receivable (note 5)	5,701
Total Assets	<u>\$ 31,572</u>

Current liabilities

Accounts payable (note 7)	\$ 66,560
Total current liabilities	<u>66,560</u>

Net Assets

Net assets (deficit)

Unrestricted	<u>(34,988)</u>
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Total Net Assets (Deficit)	<u>(34,988)</u>
Total Liabilities and Net Assets	<u>\$ 31,572</u>

See accompanying notes and independent accountants' review report

NZBC Urban Corporation, Inc.
 Bossier City, Louisiana
 Statement of Activities
 For the year ended December 31, 2012

	<u>Unrestricted</u>
Revenues:	
Government contract revenue: (note 4)	
City of Bossier City	\$ 10,100
Summer food service program	203,262
Louisiana Department of Education -	
21st Century contract	222,017
Contributions	2,400
Child care fees	46,163
Other	<u>15,020</u>
Total revenues	<u>498,962</u>
Expenses:	
Program Services:	
Youth education program	215,359
Housing education	684
New beginning center	13,341
Child development center	59,329
Summer food program	<u>200,676</u>
Total program services	489,389
Management and general	<u>43,190</u>
Total expenses	<u>532,579</u>
Change in net assets	(33,617)
Net assets (deficit) as of beginning of year	<u>(1,371)</u>
Net assets (deficit) as of end of year	<u>\$ (34,988)</u>

See accompanying notes and independent accountants' review report.

NZBC Urban Corporation, Inc.
 Bossier City, Louisiana
 Statement of Functional Expenses
 For the year ended December 31, 2012

	Youth Education Program	Housing Education	New Beginning Center	Child Development Center	Summer Food Program	Total Program Services	Management and General	Total
Expenses:								
Salaries and wages	\$ 146,144	\$	\$ 8,888	\$ 55,384	\$ 124,120	\$ 334,536	\$ 25,707	\$ 360,243
Insurance	6,883					6,883		6,883
Facility usage	12,000				20,928	32,928		32,928
Accounting	1,000					1,000		1,000
Consulting	4,099					4,099		4,099
Local travel	899					899		899
Telephone	2,155					2,155		2,155
Meetings	1,405					1,405		1,405
Travel	3,846					3,846		3,846
Van usage and transportation	15,119				4,500	19,619		19,619
Supplies	21,616	652	\$ 186	1,987	48,183	72,624		72,624
Other	193	32	4,267	1,958	2,945	9,395	17,483	26,878
	<u>\$ 215,359</u>	<u>\$ 684</u>	<u>\$ 13,341</u>	<u>\$ 59,329</u>	<u>\$ 200,676</u>	<u>\$ 489,389</u>	<u>\$ 43,190</u>	<u>\$ 532,579</u>

See accompanying notes and independent accountants' review report.

NZBC Urban Corporation, Inc.
 Bossier City, Louisiana
Statement of Cash Flows
 For the Year Ended December 31, 2012

Operating activities	
<i>Changes in net assets</i>	\$ (33,617)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets:	
Grant receivable	(12,066)
Other receivable	(5,701)
Increase (decrease) in operating liabilities:	
Accounts payable	49,278
Net cash (used in) operating activities	<u>(2,106)</u>
Net (decrease) in cash	(2,106)
Cash as of beginning of year	<u>8,503</u>
Cash as of end of year	<u><u>\$ 6,397</u></u>

See accompanying notes and independent accountants' review report.

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Notes to Financial Statements
December 31, 2012

(1) Summary of Significant Accounting Policies

A. Nature of Activities

NZBC Urban Corporation, Inc. (NZBC) is a non-profit corporation incorporated under the laws of the State of Louisiana.

NZBC was formed to provide for, and promote the overall development and enhancement of the urban area with emphasis on the inner city, to operate with and engage in activities that will *serve the needs of the community and adjacent areas such as urban housing projects*, educating of youth and adults, developing of the family units, recreational and sporting activities.

NZBC's programs are grouped into five areas as follows:

Youth Education Program

NZBC administers a program designed to provide student and school learning support for eligible youth. Funding is primarily provided by a contract with the State of Louisiana, Louisiana Department of Education.

New Beginning Center

The New Beginning Center provides outpatient treatment services designed to move low-income individuals and families from dependency to self-sufficiency by encouraging family stabilities and increasing the employability of parents. The program was primarily funded by the City of Bossier City.

Child Development Center

NZBC provides care to infants 4 weeks of age to youth 12 years of age by *nurturing each child in a caring and creative environment for their total development*. The program was primarily funded by parents.

Summer Food Program

NZBC administers a program to provide a summer food service program to eligible children. Funding is provided by the Louisiana Department of Education.

Housing Education

NZBC administers a program designed to provide financial education classes for first time homebuyers. Funding is provided primarily by donations.

B. Basis of Accounting

The financial statements of NZBC have been prepared on the accrual basis of accounting.

(Continued)

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards (SFAS)*. Under those standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

NZBC is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to NZBC's tax-exempt purpose would be subject to taxation as unrelated business income. There was no unrelated business income for the year ended December 31, 2012.

The Form 990, "Return of Organization Exempt from Income Taxes" for NZBC for the years ended December 31, 2009, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, NZBC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(Continued)

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

H. Net Assets

NZBC classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. There are no temporarily or permanently restricted net assets at December 31, 2012.

I. Property and Equipment

Property and equipment are stated at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided and the difference, after taking into account salvage values, if any, is charged or credited to income. Depreciation is computed using the straight-line method over the useful lives of the property and equipment.

(2) Concentrations of Credit Risk

Financial Instruments that potentially subject NZBC to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant and other receivables are limited due to these amounts being due from governmental and other agencies under contractual terms. As of December 31, 2012 NZBC had no significant concentrations of credit risk in relation to grant and other receivables.

NZBC maintains cash balances at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012 cash balances held at financial institutions were secured by FDIC insurance.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at December 31, 2012.

(4) Contractual Revenue- Grants

During the year ended December 31, 2012, NZBC received contractual revenue from state and local grants in the amount of \$435,379 respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(Continued)

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Notes to Financial Statements
December 31, 2012
(Continued)

(5) Related Party Transactions

NZBC is affiliated with New Zion Baptist Church, which provides facility and van usage for a fee. During the year ended December 31, 2012, NZBC paid New Zion Baptist Church \$32,600 for facility usage and \$17,934 for van usage.

The amount shown as other receivable of \$5,701 is due from New Zion Baptist Church of which NZBC is affiliated.

(6) Subsequent Event

Subsequent events have been evaluated through August 14, 2013, the date the financial statements were available to be issued.

(7) Accounts Payable

Included in accounts payable is an amount totaling \$57,641 for payroll taxes; penalties and interest on payroll tax reports and Federal Form 990 not filed timely; which have been assessed by the IRS. NZBC paid \$22,916 of this amount in July, 2013 and has formally asked for abatement of penalties.

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Summary Schedule of Findings
Schedule For Louisiana Legislative Auditor
December 31, 2012

Summary Schedule of Prior Year Findings

Reference No.	2011-1 Late Submission of Review Report
Description of Finding:	The Organization did not submit its required review report timely for the year ended December 31, 2011, in accordance with the State audit law.
Recommendation:	We recommend the Organization implement procedures to ensure the <i>timely submission of its reporting requirements in the future.</i>
Status:	Repeat finding for 2012.

Schedule of Current Year Findings

Reference No.	2012-1 Late Submission of Review Report
Description of Finding:	The Organization did not submit its required review report timely for the year ended December 31, 2012, in accordance with the State audit law.
Recommendation:	We recommend the Organization implement procedures to ensure the timely submission of its reporting requirements in the future.
Management's Response:	Management will make every effort to comply with its reporting requirements in the future.

Reference No.	2012-2 Payroll Taxes and IRS Penalties
Description of Finding:	<p>The Organization did not submit payroll taxes timely during 2012. Also, payroll tax reports and the Federal Form 990 were not filed timely. Payroll taxes, penalties and interest were assessed by the IRS and totaled approximately \$57,641.</p> <p>During July 2013, \$22,916 of the previously mentioned amount, was paid.</p>
Recommendation:	We recommend the Organization obtain the appropriate accounting services to provide the necessary reporting and payments to the IRS on a timely basis.

(Continued)

NZBC Urban Corporation, Inc.
Bossier City, Louisiana
Summary Schedule of Findings
Schedule For Louisiana Legislative Auditor
December 31, 2012
(Continued)

Management's Response:

The Board Chairman, and Executives of NZBC Urban Corporation was made aware of the outstanding balance of \$57,641 for past due Employer Quarterly Taxes, and late filing of the Federal Form 990, (including penalties and fees) on May 15, 2013, by an IRS representative. Although, we were aware of some prior past due taxes; and was in the process of making appeal claims, the amounts were not nearly the amount to be discovered during our meeting with the IRS representative. We understood the seriousness of the situation and have worked diligently with the IRS and each other to accomplish all that we could in order to eliminate this bill, correct and implement procedures and systems, so that this situation will not reoccur in the future. The following actions have been implemented:

1. On July 9, 2013 we paid \$22,916 for the prior year's Trust Fund taxes that we were liable for and \$13,421 payroll taxes for the first and second quarter of 2013.
2. We have also met with an IRS representative and have submitted a letter requesting an abatement of the interest, penalties, and fees that have accumulated due to these previously unpaid taxes and late filing of reports. We are currently waiting on the response from the IRS.
3. The former Accountant has been dismissed of her services.
4. An investigation is underway to determine the reason that resulted in these unpaid taxes and late filing of reports.
5. Several new board members have been brought on with extensive experience in nonprofit operations, accounting, legal, and knowledge.
6. A nonprofit financial consultant with over 15 years of experience in banking and church finance is also assisting to ensure that the organization gets and remains on track going forward.
7. ADP, Inc. for Complete Payroll and Human Resources have been contracted to perform the functions of payroll, payroll tax deposits and reporting.
8. Interviewing outside reasonable yet creditable accounting offices to merge and perform monthly accounting services.

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Independent Accountants' Report On Applying Agreed-Upon Procedures

Deloris Reaves
Executive Director
NZBC Urban Corporation, Inc.

We have performed the procedures enumerated below, which were agreed to by NZBC Urban Corporation, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about NZBC Urban Corporation, Inc.'s compliance with certain laws and regulations for the year ended December 31, 2012 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with *Statements on Standards for Attestation Engagements*, issued by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of federal, state, and local awards expenditures for 2012 by grant and grant year.

<u>Grant</u>	<u>December 31, 2012</u> <u>Expenditures</u>
Summer Food Service Program Agreement # 09-SFSP-013 Louisiana Department of Education	\$142,632
Youth Education Program Louisiana Department of Education Division of Student and School Learning Support CFMS # 690688	\$215,359
New Beginnings Center City of Bossier City	\$10,100

2. For each federal, state, and local award for 2012

Randomly select 6 disbursements from each award administered during 2012 and:

- a. Trace the disbursements selected to supporting documentation as to proper amount and payee.

We examined supporting documentation for the selected disbursements and found that payment was for the proper amount and made to the correct payee.

- b. Determine whether the disbursements selected were properly coded to the correct fund and general ledger account.

All disbursements selected were properly coded to the correct fund and general ledger account.

- c. Determine whether the disbursements selected received approval from proper authorities.

All disbursements selected received approval from proper authorities.

- d. For federal awards, determine whether the disbursements selected comply with the applicable specific compliance requirements summarized in the Compliance Supplement (or contained in the grant agreement, if the program is not included in the Compliance Supplement) and for state and local awards, determine whether the disbursements selected comply with the grant agreement relating to 1) activities allowed or allowable, 2) eligibility, or 3) reporting.

All disbursements selected complied with the applicable specific compliance requirements summarized in the Compliance Supplement if federal awards, and grant agreement if state or local awards.

- 3. For the programs selected for testing in item (2) that have been closed out during the period under review, compare the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

For the programs selected for testing in item (2) that were closed out during 2012, we compared the close-out report with the entity's financial records and determined that the amounts agree.

- 4. Open Meetings – Examine evidence that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:1 through 42:13 (the open meetings law).

NZBC Urban Corporation, Inc. posted its meetings and agendas as required by R.S. 42:1 through 42:13 (the open meetings law).

- 5. Budget – For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agencies was provided a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

For grants exceeding five thousand dollars a comprehensive budget was provided including purpose and duration. Also, for state grants those budgets included specific goals and objectives.

- 6. Prior Comments and Recommendations – Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

There were no prior year comments, suggestions, or recommendations included in the Agreed-Upon Procedures Report

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of NZBC Urban Corporation, Inc. and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
August 14, 2013

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

8-12-13 (Date Transmitted)

Cook & Morehart, CPAs

P.O. Box 78240

Shreveport, LA 71137-8240

(Auditors)

In connection with your review of our financial statements as of 12-31-12 and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/ representation) 8-12-13

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes ☒ No ☐

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes ☒ No ☐

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes ☒ No ☐

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes ☒ No ☐

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law).

Yes ☒ No ☐

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes ☒ No ☐

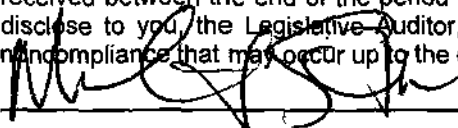
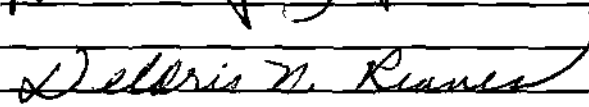
Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Late submission of Review/Attestation Yes ☐ No ☒

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

	Board Chairman	8/12/13	Date
	Secretary		
	Treasurer		Date
	President	8/8/13	Date
	Executive Director		